

The first observation to make when analysing Palestinian domestic politics is the fact that Palestine is not a state. Linked to this, the Palestinian national movement has pursued the triple goals of liberation, democratic state-building, and the respect of both individual and collective rights. These three goals are not necessarily incompatible. Nonetheless, their concomitant pursuit and in particular the strategies employed to pursue them can and have led to contradictory approaches. All the structural and ideological issues analysed below derive from this first basic premise and from the non-state context in which the Palestinian domestic scene has evolved.

The duality between the PA and the PLO

The Palestinian Liberation Organization, established in 1964, became dominated by the secular nationalist Fateh in 1968-69 and has continued to be so since then. Despite the presence of other secular factions in the organization, such as the Palestinian Front for National Liberation (PFLP), the Democratic Front for National Liberation (DFLP) and the People's Party, Fateh has always been at the core of the PLO and of its institutions (e.g., the Executive Committee and the Palestinian National Council). The PLO leadership was based outside the occupied territories (OTs) until the signature of the 1993 Declaration of Principles. With the ensuing formation of the Palestinian Authority in 1994, the PLO Executive Committee based in Tunis returned to the OTs to establish the PA. Since then, a conspicuous duality has emerged between the PLO and the PA, with important ramifications on the evolution of the conflict.

The PA is a direct offspring of the PLO and of Israel, and of the peace process between them. Moreover the PA was meant to materialize one of the PLO's national goals, i.e., the establishment of a state in the West Bank and Gaza Strip. The mandates of the PLO and the PA thus remained distinct and complementary in principle. The PLO, as the sole representative of the Palestinian people, would conduct negotiations with Israel. The PA could not take on these tasks because it did not represent all (and not even a majority) of the Palestinian people. In addition, the PA - borne out of the peace process with Israel - was dependent on the peace process and could therefore not credibly shape it. The PA in fact renounced the use of violent resistance and would essentially provide representation and services to the Palestinians in the OTs in anticipation of a Palestinian state.

Yet over the 1990s and 2000s, the lines separating the two organizations became increasingly blurred, contributing to the fragmentation of the Palestinian national movement. The PA came to take precedence over the PLO in conducting relations with Israel. The PA Cabinet overshadowed the PLO Executive Committee, the Palestinian Legislative Council (PLC) overtook the role and functions of the Palestinian National Council, and the PA Ministry of Foreign Affairs took precedence over the PLO Political Department. Part of the reason for this rebalancing was practical - the PLO, scattered throughout the Middle East, is not easily run and democratically managed. Another reason for duplication was that the personalities involved were partly the same, and thus the need to formally and practically set out a division of labour was not considered of primary importance. The PA was de facto controlled by the elements of the PLO leadership parachuted into the OTs from Tunis.

The growing dominance of the PA over the PLO generated resentment and distancing between the Palestinians in the OTs and in the Diaspora. It also created divisions between those within the PLO who had accepted the Oslo agreements and those who had not.³³ Resentment and division became all the more acute when after 2000, PA officials who conducted relations with Israel hinted at their readiness to compromise on issues such as the right of return, despite their non-representation of the vast majority of the refugees. Track-two initiatives such as the 2002 Ayalon-Nusseibeh plan or the 2003 Geneva accords and the public outcry they generated amongst the refugee communities especially outside the OTs highlighted this fact.

In terms of impact on the conflict, this overlap cum fragmentation led to a to-ing and fro-ing on commitments made or hinted at in the context of the peace process. On the one hand, the PA leadership, who did not represent the Diaspora and whose existence hinged upon the continuation of the peace process, had accepted not to raise contentious final status issues during the Oslo process and hinted at possible concessions. On the other hand, when push came to shove (as it did at Camp David II in 2000 or at Taba in 2001), that very same leadership, inherently tied to the PLO, ultimately refused to renege on claims such as the right of return or Jerusalem. The impact this had on Israel and on the international community was a sense of betrayal and loss of faith in the Palestinian leadership and in its ability to deliver and press its public into accepting their offers.

Part II PALESTINE

by Nathalie Tocci

1. Palestinian dynamics and their impact on the Israeli-Palestinian conflict

1.1 Structural Palestinian factors and their impact on the conflict

The fragmentation and decline of Fateh

The second key change which took place since the beginning of the Oslo process, culminating after its demise, was the fragmentation and decline of Fateh itself. The PLO/Fateh leadership arrived from Tunis to the OTs, retaining control of key Fateh structures such as the Central Committee and the Revolutionary Council. Yet within the OTs a new class of indigenous young Fateh activists had emerged and consolidated particularly through first intifada. This sowed the seeds for a growing schism within Fateh itself. These trends exacerbated over the Oslo years, when the local population and Fateh's rank-and-file became increasingly disillusioned with their 'imported' leaders. Disillusionment was linked to the evolution of the peace process, which after 1996 seemed to bring with it growing Israeli colonization without tangible peace dividends. Disillusionment was also connected to the growing perception of the authoritarianism, corruption, and lack of transparency and accountability of the Fateh-dominated PA. Fateh's decline materialized soon after the start of the second intifada, partly because Fateh's shift to armed confrontation merely underlined the failure of its previous strategy of peace talks. Decline exacerbated after Arafat's death, given that despite being much criticized, the PLO Chairman/PA President/Fateh leader had remained the coalescing factor of the Palestinian people and of Fateh up until his death.

The growing divisions and the weakening of Fateh contributed to the eruption and evolution of the second intifada, the progressive weakening of the Palestinian side and the escalation of conflict. Much has been written about the origins of the second intifada and the extent to which it was ignited, managed or controlled by the PA leadership. A widespread assessment is that the intifada started as a spontaneous revolt against Israel as well as the PA leadership; although it was then 'appropriated' by Arafat as a means to regain support amongst the disaffected public.³⁴ The chaotic evolution of the intifada was also linked to the fragmentation of Fateh. Fateh was unable to develop its own strategy of resistance both because of the decline in the capability and morale of the PA police force, and because of its fragmentation into competing local bands under no organized chain of command and beyond the bounds of official PA security structures.

Fateh's fragmentation and decline also validated the Israeli perception of the absence of a Palestinian 'partner'.³⁵ The Fateh leadership proved unable to rein in or impose any form of strategic direction on the violent intifada, including the activities of Fateh's own Tanzim apparatus, the al-Aqsa Martyrs' Brigades and the Popular Resistance Committees, as well as of other factions (i.e., Hamas, Islamic Jihad and the PFLP). This was due to the loosening hold of the older upper echelons of Fateh on its 'young guard' and to the divisions within the young guard itself.³⁶ This bolstered greatly the Israeli rhetoric on the absence of a Palestinian 'partner for peace' and contributed to the feeling of existential threat generated in Israel by the Palestinian suicide bombing campaign within the 1948 borders. Likewise the growing intra-Fateh tensions, which culminated in internal violence and in a split within Fateh in the run-up to the 2006 parliamentary elections, added to the general perception in Israel and in the international community of the inability of the Palestinians to manage their internal affairs and thus run a future state.³⁷

A final effect of Fateh's decline was the empowerment of Hamas, which affected relations with Israel as well as with the international community. Fateh's unrelenting decline contributed to Hamas' crushing victory in January 2006. The 'Change and Reform Platform' (Hamas) won 74 seats in the 132-seat PLC, compared to Fateh's 45 seats. A significant number of people who would normally have voted Fateh, switched to Hamas.³⁸ Even if the reason for this was partly a protest vote and a tactical switch, the electoral result reflected a much deeper and possibly irreversible trend in Fateh's decline in view of its discredited reputation and internal divisions.

The non-inclusiveness of the Palestinian political system

A third major structural Palestinian factor influencing the conflict has been the non-inclusiveness of the Palestinian political system; in particular, the exclusion of the Islamic factions (Hamas and Islamic Jihad) from the PLO and from the PA (in the case of Hamas up until the 2006 elections). The non-inclusiveness of the Palestinian political system had two major detrimental effects with accompanying repercussions on the conflict.

First, it failed to induce convergence towards moderation of the excluded Islamic factions and of Hamas in particular. The exclusion of the Islamic factions from the secular PLO is due to a variety of reasons, not least their rejection of the 1988 PLO Charter accepting a two-state solution along the 1967 borders. The exclusion of these factions from the PA and its institutions was instead linked to their rejection of the Oslo accords, which founded

33 In 1993, a majority rather than a unanimity of the PLO factions had approved the Declaration of Principles. The Islamic factions, outside the PLO, had rejected the Oslo accords.

34 See for example the Mitchell Report (2000) as well as independent analyses by Y. Sayigh (2001), "Arafat and the Anatomy of a Revolt", *Survival*, Vol. 43, Autumn, pp. 47-60; M. Klein (2003), "The Origins of Intifada II and Rescuing Peace for Israelis and Palestinians", February 2003, www.fmep.org.

35 Interview with Palestinian scholar, Jerusalem, May 2006.

36 On the old-guard/young-guard distinction see K. Shikaki (2002), "Palestinians Divided", *Foreign Affairs*, Vol. 81/1, January/February, p. 92. For a more complex picture of intra-Fateh divisions see S. Tamari (2002), "Who Rules Palestine?", *Journal of Palestine Studies*, Vol. 31, No. 4, pp. 102-113.

37 The split occurred between the old-guard-dominated Fateh and the young guard, which provisionally seceded into a new movement called The Future 'el-mustaqbal'. On the eve of the elections, the split was patched-over in a last ditch attempt to avoid electoral defeat.

38 See polls conducted by the Palestinian Center for Policy and Survey Research (www.pcpsr.org) or by the Near East Consulting (www.near-eastconsulting.com).

the Authority. Hence, their non-participation in the first general elections in 1996. Operating outside the legal political system did little to mould the strategies pursued by these factions. Although over the Oslo years and since Oslo's demise, Hamas has internally debated a possible revision of its strategy and Charter, the movement as a whole has yet to officially alter its platform. Up until when the public had faith in the peace process, the exclusion of these factions only presented a limited problem, given their minority popular appeal. The problem exacerbated in view of the rising popular strength since 2000 of Hamas in particular. This rise outside the legal political system had an important radicalizing effect on the public. It also gave Hamas the opportunity to pragmatically assess the most expedient moment to bargain its way into the political system. Hence, its participation in the 2004 and 2005 municipal elections, the March 2005 Cairo declaration in which Hamas accepted a unilateral lull in violence (*tahadia*) in return for an agreement to enter the PLO and to participate in the PLC elections; and finally its participation and victory in the 2006 elections.

The entry of Hamas into the legal political system could have helped the gradual moderation of the movement. This is especially so given the evident differences in opinions which exist within Hamas and the fact that the Palestinian public is not committed to growing conservatism or Islamism, and less still to an unending struggle against Israel for the whole of mandate Palestine. Given the state of public opinion, the moderate currents of Hamas could have a greater chance of gaining the upper hand if they were to operate within the legal political system rather than outside it. However, the rising tensions within the OTs in 2006 and Fateh's reluctance to transfer power to Hamas has empowered the more radical elements within Hamas. It has also induced Hamas to continue acting as an opposition force outside the confines of the legal political system despite its (theoretical) control of government.

Second, non-inclusiveness consolidated the symbiotic relationship between Fateh and the PA. Given the absence of a credible, strong and legal opposition, the PA became dominated by Fateh in terms of leadership, administration and personnel. This harmed the good governance potential of the PA by hindering the checks and balances inbuilt in the PA, which were developed particularly through the PA reform process in 2002-05. It weakened Fateh's reputation, as the public identified in Fateh the locus of responsibility for the PA's ill-governance. It also distorted Palestinian incentives, hindering the effective pursuit of their national objectives. Finally, this symbiotic relationship generated strong personal and institutional incentives within Fateh to dress up the PA with symbols of statehood. This contributed to the international misperception and rhetoric that a Palestinian state was in the making. Following the collapse of the Oslo process, it also generated strong Fateh disincentives against dissolving the PA. This would have constituted a public admission that a Palestinian state was/is not being built. Publicly admitting this reality would represent a strategic decision, which would reduce the gap between realities and international (mis)perceptions and could induce a more effective pursuit of Palestinian national objectives. While often hinted at and discussed,³⁹ Fateh never seriously considered dissolving the PA.

Perhaps most gravely, Fateh's symbiotic relationship with the PA exacerbated the polarization between Fateh and Hamas, contributing to the mounting chaos in the OTs in 2005-06. Fateh's identification with the PA prevented Fateh from serenely transferring the reins of power to Hamas, thus failing to play the only plausible role that could have restored its reputation: that of an effective but peaceful opposition. The lure of retaking government through quicker and coercive means proved too strong. Hence, the attempted re-centralization of power in the president's hands and the brinkmanship tactics employed particularly in the summer and autumn of 2006. The ensuing Fateh-Hamas tensions both at elite and rank-and-file level triggered rising lawlessness and chaos on the streets of Gaza, as well as the failure of all attempts to broker a national unity government in the autumn of 2006. The prospects for a long-lasting and structural reconciliation within the Palestinian body politic appear as dim as ever.

If structures and institutions lie on the one hand of the domestic equation, perceived interests, identities and ideologies lie on the other. As in the case of structure, Palestinian factors lying in the sphere of interests and ideas are also shaped by the Palestinian non-state context.

The PLO and Fateh's Uneasy Transition from National Liberation to State-building

More concretely, the triple Palestinian aims of state-building, national liberation and the respect of human rights have often been conceptualised and pursued in a contradictory manner, with ensuing effects on the conflict. The PLO and Fateh underwent a process of

1.2 Interests and ideology

transition from a national liberation movement primarily focused on individual rights into a state-building project mainly targeted to fulfil collective rights. The PLO's first Charter put forth the aim of liberating the entire and indivisible Palestinian homeland from the river to the sea. This would bring with it both the affirmation of Palestinian self-determination and the respect of Palestinian rights of return. The Charter was amended in 1968, placing greater emphasis on collective rights (i.e., state-building) over individual rights of return. This shift continued when in 1988 the PLO re-amended its Charter, accepting the goal of Palestinian statehood within a portion of mandate Palestine. It culminated with the 1993 Declaration of Principles and the ensuing modifications in the PLO Charter in 1996. Since then, the views of Fateh and of the PLO regarding the main contours of an acceptable peace deal have not perceptibly changed. Despite differences in opinion within the faction,⁴⁰ Fateh and the bulk of the PLO have generally stood for a sovereign Palestinian state within the 1967 borders, a capital in East Jerusalem, and a reasonable deal on refugees whereby Israel would recognize in principle the right of return while the practical implementation of that right would be the subject of political compromise.

The transition from liberation and individual rights into state-building and collective rights has not been smooth, explaining in part the fragmentation of Fateh and its loss of credibility in Israeli and international eyes. More accurately, the PLO and Fateh shifted uneasily from being a guerrilla movement enmeshed in conflict to being a civilian political force at the head of a would-be-state pledging to become a key provider of Israel's security even prior to the end of conflict. Not least because of the continuation of conflict over the course of the Oslo process, Fateh continued to think and act largely as a paramilitary faction, failing to use its powers to address public concerns about poor governance, insecurity and economic decline.

Arafat's mode of governance exacerbated this tendency. Rather than laying the ground for statehood, Arafat continued to see his role as that of leader of a liberation movement, who could not afford to indulge in the secondary goals of democracy and good governance, worthy as these might be. The Chairman-President's mode of governance contributed to the deinstitutionalization of Palestinian politics through a concentration of power in his hands and an ensuing creation of patronage networks also used to finance the PLO in the Diaspora. The responsibility for this situation lay also with the rank-and-file of Fateh, who were willing to be co-opted into the neo-patrimonial system created by Arafat.

This stalled transition proved to be highly detrimental to the peace process. During the Oslo process, Israel and the international community were largely content with a PA which, despite its democratic shortfalls, was effective in providing security to Israel. However, even during the Oslo years, the nature and performance of the PA fuelled conflict dynamics. Arafat's focus on retaining domestic control reinforced Israel's domination. These dynamics exacerbated with the eruption of the militarized intifada. Arafat's control and de-institutionalization of politics, coupled with his tacit connivance with the intifada, ultimately proved self-destructive by facilitating Israeli counter-measures. Yet Arafat had pursued this strategy precisely, albeit mistakenly, as a means of coercing Israel and the US into renewing the Oslo pact recognizing his central status as principal interlocutor.

Hamas' Oscillations between Radicalism and Pragmatism

Hamas underwent a reverse process of transition. The faction developed between the start of Israeli occupation in 1967 and the outbreak of the first intifada in 1987 as an indigenous, unarmed grassroots movement, focused on social and cultural issues. As such, it never joined the PLO and only developed a modest military capability in the mid-1980s. It was officially established as a political faction in 1987, which shifted towards open confrontation with Israel in 1988, i.e., precisely at the time when Fateh and the PLO began moderating their national objectives. Hamas radicalized further following the Oslo accords, by placing itself on the rejectionist front and refusing to enter the PA. Having acquired since 1987 an explicit Islamist counter-discourse to the PLO's secular nationalism, Hamas claimed that the entire land from the river to the sea had to be liberated in virtue of its status as an indivisible Islamic *waqf*.

Yet despite its rhetoric, Hamas proved to be a pragmatic, even opportunistic limited spoiler rather than an unmoveably ideological total spoiler.⁴¹ Hamas has for years mentioned its acceptance of a long-term truce in the event of the establishment of a Palestinian state on the 1967 borders and the recognition of Palestinian refugee rights. In 2005-06 Hamas was far more successful than Fateh in adhering to the ceasefire, not least because of its organizational ability to enforce it. Hamas' elites have debated for months their possible revision of the Hamas Charter, purging it of outright anti-Semitic statements.⁴² In the summer of 2006, key members of Hamas either accepted or signalled their possible acceptance

³⁹ See for example Bitter Lemons, 'The Collapse of the PA', 28 August 2006, Edition 34.

⁴⁰ Differences of opinion have related both to strategies (e.g., Abbas' rejection of violent resistance, contrasted to Marwan Barghouti's support for violent resistance within the OTs) and to final status substance issues.

⁴¹ See ICG (2006), *Enter Hamas: The Challenges of Political Integration*, Middle East Report N° 49, 18 January.

⁴² O. Halpern (2006), 'Hamas working on a new Charter', *The Jerusalem Post*, 16 February.

of the prisoners' document and the March 2002 Arab League initiative, which expressly advocate a two-state solution. Hamas has also hinted at the possibility of recognizing Israel upon the latter's recognition of Palestine.⁴³

This is not to say that peace and compromise with Hamas would be simple or perhaps even feasible. Particularly in its stance on violence, Hamas has acted in a ruthlessly unprincipled manner. Hamas initially withheld from active participation in the intifada (October 2000-January 2001) not out of principle, but out of suspicion that Fateh/Arafat were deliberately fomenting the conflict as a tactical means to improve their bargaining position. Only after the election of Ariel Sharon in February 2001 did Hamas embark on its suicide bombing campaign across the Green Line. In making this shift, Hamas acted opportunistically, seeking to confirm the collapse of the Oslo process and to present itself as an alternative to Fateh. Likewise, its post 2005 *tahadia* has not been the product of an ideological shift, but rather of a temporary decision determined by domestic political expediency (i.e., its decision to participate in elections and its bid to enter the PLO). Hamas' pragmatism therefore does not necessarily render the faction less violent or more amenable to compromise. It does however entail that unlike purely ideological movements, Hamas' pragmatism makes it sensitive to changing contextual conditions.

Beyond its radical political platform and military strategy, Hamas has distinguished itself as a social movement, with considerable experience in grassroots activism and managing social welfare programmes. When municipalities came under its control in 2004-05, it also demonstrated its greater ability (compared to Fateh) to conduct effective and clean government. Hamas built on its achievements at the municipal level to wage a successful national campaign to compete in the PLC elections, focusing primarily on corruption and the rule of law. This may seem counterintuitive for a party that maintains a military wing and advocates armed resistance against Israel. Yet as in the case of Fateh and the PLO, this is the by-product of the different and at times contrasting objectives characterising the Palestinian movement within a conflict-ridden and non-state context.

Precisely because the evolution of Palestinian politics has been so critically shaped by context let us delve into the key channels in which the conflict has impacted upon the Palestinian domestic scene. The duality of the PLO-PA and the problematic transition of the Palestinian national movement was a direct result of relations with Israel through the peace process. The nature of the Oslo process, which called upon the PLO to abandon its goal of armed resistance in favour of negotiations with and protection of Israel through the PA, led to the duality between the two sets of institutions. It also generated the need in the PLO/Fateh to make the transition from national liberation to state-building. To make this transition, the Oslo process raised the incentives of its Palestinian signatories to seek ways to co-opt key sectors in society into accepting and respecting the international accords, thus opening the space for corruption and networks of patronage.

Beyond the Oslo accords themselves, the growing gap which consolidated over the Oslo years between the rhetoric of statehood and the likelihood of its achievement contributed to the fragmentation of Palestinian politics, to the PA's ill governance and to the decline of Fateh, matched by the rise of Hamas.

Israel's policies contributed to the fragmentation, de-institutionalization and ill-governance of the OTs. This was partly a legacy of the years of direct Israeli control of Palestinian civil affairs, which were characterized by segmented administration and lack of democratic accountability. During the Oslo years instead, Israel's overarching control over access to/from the external world, coupled with its formal powers to restrict Palestinian use of land and natural resources rendered the Palestinian population and economy captive. This raised the opportunities for rent-seeking and manipulation by the PA. Over the course of the intifada instead, Israel's policies accelerated exponentially the fragmentation of the Palestinian political space. This occurred by physically destroying the PA's infrastructure, as well as by imposing closures and economic sanctions (e.g., withholding the PA's tax revenues).

The evolution of the Oslo process and its demise also contributed to the decline of Fateh and the rising popularity of Hamas. Post 1994, Fateh derived its main popular strength from its platform based on pursuing negotiations with Israel in order to achieve a Palestinian state. Over the Oslo years, Fateh's credibility was tarnished by the rising appreciation by the Palestinian public that far from bringing with it peace and statehood, the Oslo process allowed Israel's accelerating colonization of the OTs. Fateh's standing fell dramatically, and its reputation was damaged perhaps irreparably with the end of the peace process and

1.3 Closing the Circle: The Impact of the Conflict on the Palestinian Political Scene

⁴³ See the Washington Post's interview with Ismail Haniyeh, "We do not wish to throw them into the sea", *The Washington Post*, 26 February 2006.

Israel's rhetoric of the absence of a Palestinian partner. In particular, Israel's persisting colonization of Jerusalem, its rejection of negotiations and its refusal to release Palestinian prisoners, invalidated President Abbas's pro-peace and compromise platform. On the other side of the coin, the failure of the peace process vindicated Hamas' political platform. Indeed whereas during the Oslo years, Hamas never polled over 15-20%, it reached over 30% support with the end of the peace process, and 44% in the January 2006 elections.

Finally, the conflict contributed to the absence of a third force in Palestinian politics, which could have represented an alternative voice between Fateh and Hamas. On the one hand, small armed factions like Islamic Jihad or the PFLP lacked broad social constituencies and offered little that Fateh and Hamas did not already offer. On the other hand, the militarization of the intifada and Israel's counter-violence silenced groups that withheld from military action (e.g., Fateh's liberal wing, the Democratic People's Party and the former communists). This was caused at least in part by the structural anomalies of the Palestinian context and the ensuing constraints facing a putative Palestinian civilian force in the absence of normal civilian politics within a defined state.

2. External Influences on PA/PLO: the policy of unbalanced intervention

International influences have contributed and often exacerbated Palestinian factors fuelling conflict. They have done so through two different yet interrelated logics of intervention.

Differentiated Empowerment

One logic has been that of differentiated domestic empowerment. This has had three primary features. First, the international community attempted (between 1994 and 2006) to empower the PA over and above the PLO. This may have partly been reasonable, in view of the objective of promoting a Palestinian state. Hence, for example whereas the EU's 1997 Interim Association Agreement was signed with the PLO, its 2004 ENP Action Plan was negotiated with the PA. However, the empowerment of the PA over the PLO both exacerbated the feeling of exclusion of the Diaspora, and it contributed to the duality and duplication of the two sets of institutions.

A second feature of differentiated empowerment is related to the sphere of civil society. Prior to the Oslo process, despite Israeli occupation, the Palestinian territories enjoyed a relatively vibrant civil society, largely based on service delivery, professional associations and trade unions. The Oslo process and the international funding that came with it distorted the nature of civil society, altering its focus, raising incentives for corruption and distancing it from the public. More specifically, international (and mainly Western) donors financed heavily liberal NGOs, geographically based in the Jerusalem-Ramallah area, and working on issues pertaining to the peace process. This occurred at the expense of other organizations focussing on services, non-peace process related issues, and geographically spread across the OTs. The result was the booming of new NGOs, as corrupt and enmeshed in networks of patronage as the PA, and whose work was often tailored to the political requirements of donors rather than to the needs of the population. In turn, service-based charities linked to Islamist movements readily filled the gap.

The West also tried explicitly to empower Fateh at the expense of Hamas. Prior to the 2006 PLC elections this entailed a clear neglect for the non-inclusiveness of the Palestinian legal political system, despite the negative implications discussed above. Moreover, in 2003 largely through US and Israeli pressure, the EU decided to include Hamas on its terrorist list. This meant the absence of any official relations with Hamas. The only informal and intelligence-based contact which persisted was exclusively tailored to securing a unilateral Palestinian ceasefire. Following January elections, rather than exploring different channels to induce Hamas' moderation, the EU and the US have attempted to re-empower Fateh at the expense of Hamas. This policy of differentiated empowerment has primarily taken the form of re-empowering the Fateh held presidency at the expense of the Hamas-dominated PLC and the Cabinet. Hence, having exerted much effort in 2002-05 in creating and empowering the post of prime minister (during Arafat's presidency), and shifting the control of PA finances and security from the presidency to the Ministry of Finance and the Ministry of the Interior respectively, the Quartet began working assiduously in 2006 to undo these partial successes. In particular the Quartet's decision in June 2006 to use an 'International Temporary Mechanism' to channel some funds to the PA presidency raised Fateh's incentives partly to create de facto parallel governing structures under the presidency and partly to turn to brinkmanship against Hamas (e.g., through the general strike in September 2006). In a context in which Fateh, whose symbiotic relationship with the PA had already generated strong resistance to transit from office, the international community's stance has reduced

further its incentives to shift into legal opposition. It concomitantly contributed to Hamas' retrenchment and obstinacy in accepting internationally coerced conditions. In turn, rather than fostering a genuine national reconciliation, differentiated empowerment exacerbated polarization and violence between the internationally-supported Fatah and the boycotted Hamas. It has also fuelled the wider perceptions amongst Palestinians of Western hypocrisy when it comes to the rhetorical promotion of democracy.

Carrots and Sticks

A second and related logic of external intervention has been that of using inducements and pressures through aid and sanctions. The international community and the EU in particular granted key sums of financial as well as technical assistance for the purpose of building Palestinian institutions after 1994. During the Oslo years, international assistance was granted to the PA largely unconditionally. The EU, the US and other Western donors paid little or no attention to the failings of the PA in the fields of democracy and governance. On the contrary, as put by one observer: 'the PA regime was built with international funds at the cost of democracy, transparency, accountability, the rule of law and the respect for human rights'.⁴⁴ Rather than democratic state-building in and of itself, the primary purpose of aid was that of sustaining the PA and allowing it to conduct negotiations with Israel and provide security to it. In view of the absence of a peace agreement with Israel, the PA's violations of democracy and rights were often viewed as the necessary evil to 'reign in the Palestinian street' and maintain political momentum in negotiations.⁴⁵

Aid to the Palestinians rose further during the intifada. This partly offset the financial costs imposed by Israel's policies in the OTs. However, aid could not fundamentally alter the impact of the unremitting onslaught that PA institutions were subject to. As such, its purpose switched from state-building to institutional survival and humanitarian assistance. Aid alone during the intifada did not and could not alter the structure of the conflict. It rather fed into it by mitigating some of its most acute economic effects. In the absence of a comprehensive political involvement, donors subsidized the Israeli occupation of the West Bank, tolerated the asphyxiation of the Gaza Strip, and acquiesced to the creeping annexation of East Jerusalem and other settlement blocs. In the words of Israeli journalist Amira Haas, aid primarily acted as 'silence money'.⁴⁶

To the partial credit of the international community and the EU in particular, the 2002-05 period did see an increasing use of reform conditionality. With Israel's withholding of revenue transfers to the PA in 2000-03, the EU provided monthly budgetary assistance, making this conditional on several reforms especially in the fields of judicial and fiscal reform. In 2005, through EU COPPS (Coordinating Office for Palestinian Policing Support), upgraded through an ESDP police support mission and complemented by the ESDP Rafah monitoring mission, the EU also heavily committed itself to reform the Palestinian security sector.

International and European attention to the internal functioning of the PA must however be analysed in the light of the evolving conflict. In view of the Palestinian suicide bombing campaign since 2001 and Israel's refusal to pursue negotiations with the Palestinians, PA reform became the mantra of the day in the US and Israel. The US's focus on reform was linked both to its demonization of Arafat and to its wider interest in 'regime change' in the aftermath of the 11 September attacks. The EU also focussed on PA reform. Yet this was only partly out of genuine concern for Palestinian governance. The Quartet and the EU pushed for reform primarily as a means to reengage Washington in the peace process and to remove any reason or excuse for Israel's refusal to negotiate. Hence, the undue attention paid to issues such as the creation of the prime minister's post, or the reform of the fiscal and security sectors, at the expense of other perhaps more crucial areas of reform. Moreover, the blunt approach adopted by the US to the question of reform reduced Palestinian incentives to pursue domestic change. The position adopted by Bush in June 2002, when he made the removal of Arafat from office a primary goal of reform, helped Arafat to rehabilitate his domestic standing, to silence his critics, and enabled him to stall on key reforms and reverse others. The US added a further obstacle to reform by U-turning its position on the conduct of Palestinian elections, originally scheduled for January 2003. Once the US realized that Arafat would win, it worked behind the scenes to defer elections. Consequently the pressure on Arafat was eased and he was provided with the opportunity to obstruct other Palestinian actors who genuinely attempted to pursue to reform.

Yet the fundamental flaw of a policy of conditionality whose primary objective was not that of promoting democracy and good governance as ends in themselves, emerged in full force in the post-election period. Precisely at the time when reform efforts were beginning to bear fruit through the first peaceful democratic transfer of power in the OTs, the international

44 A. Le More (2005), "Killing With Kindness: funding the demise of a Palestinian state", *International Affairs*, Vol.81, No.5, p. 988.

45 N. Roberts (2005), "Hard Lessons from Oslo", in M. Keating, A. Le More and R. Lowe (eds.), *Aid, Diplomacy and Facts on the Ground: The Case of Palestine*, London: Chatham House, p.19 and p.24.

46 Lecture delivered at the European University Institute, Mediterranean Programme, 30 May 2006.

community sanctioned the Hamas government and with it the entire Palestinian population. In January 2006 Israel stopped transferring tax revenues to the PA, in April the Quartet suspended aid to the PA, and the US Palestinian Anti-Terrorism Act halted bank transactions in the OTs. In sanctioning Palestine, the international community attempted to make the uneasy distinction between boycotting the government, while continuing to aid the population. Yet this distinction poorly reflected reality. Since the eruption of the intifada, 60% the PA's budget has been spent on salaries, which provided for the vast majority of health and education services and supported 25% of the population in the economically free-falling OTs.⁴⁷ In response to the deepening economic and humanitarian crisis in the OTs and the escalating intra-Palestinian chaos, the Quartet agreed in June 2006 to resume some aid through the Temporary International Mechanism. However, this is more likely to force Hamas into seeking new sources of funding and disempower the Hamas Cabinet and legislature, rather than to reverse the economic and humanitarian damage caused by Israeli and international policies.

⁴⁷ Office of the Special Envoy for Disengagement (2006), *Periodic Report*, April; United Nations (2006), *Assessment of the Future Humanitarian Risks in the occupied Palestinian territory*, 11 April.